

Message Text

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ACTION EUR-25

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DEPARTMENT OF TREASURY WASHDC IMMEDIATE

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SUBJECT: RESIGNATION OF BANK OF ITALY GOVERNOR CARLI

1. ON JULY 17 REPUTABLE MILAN FINANCIAL PAPER 24 ORE CARRIED
SIGNED ARTICLE CONCERNING POSSIBILITY OF GUIDO CARLI RESIGNING
AS GOVERNOR OF BOI. AUTHOR OF ARTICLE CLAIMED STORY BASED ON FACT
RATHER THAN USUAL BASELESS RUMORS WHICH HAVE PERIODICALLY CIRCULATED
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LATED CONCERNING GOVERNOR'S RESIGNATION. FIRST SUBSTANTIATING

FACT CITED WAS CONTENTION THAT CARLI HAD ALREADY EXPRESSED AT POLITICAL LEVEL INTENTION OF LEAVING BOI IN NOT TOO DISTANT FUTURE, NOT BECAUSE OF CONFLICTS OVER FINANCIAL POLICY SINCE GOOD RELATIONSHIP BETWEEN TREAS MIN COLOMBO AND GOVERNOR IS LONG-STANDING, BUT BECAUSE CARLI BELIEVES THAT AFTER 14 YEARS OF DIRECTING BOI, IT'S TIME FOR A CHANGE BOTH FOR HIMSELF AND ITALY. SECOND FACT RELATED TO JUNE 30 STORY CARRIED BY 24 ORE CONCERNING CARLI'S JUNE TRIP TO TEHRAN. SHAH REPORTEDLY SUGGESTED THAT CARLI DIRECT A LARGE INTERNATIONAL FINANCIAL INSTITUTION WHICH WOULD BE CHARGED WITH RE-CYCLING SURPLUS PETROLEUM REVENUES OF PETROLEUM-PRODUCING COUNTRIES TO PETROLEUM-IMPORTING COUNTRIES. SUCH A NEW CAREER WOULD APPEAL TO CARLI, NOT ONLY FROM PRESTIGE STAND-POINT, BUT ALSO BECAUSE IT WOULD PLACE AN ITALIAN IN A KEY POSITION GIVEN ITALY'S LARGE BALANCE OF PAYMENTS DEFICIT.

2. HAVING FOUND A NEW CAREER FOR CARLI, ARTICLE EXAMINED PROBLEM OF HIS REPLACEMENT. LEADING CANDIDATE WAS CONSIDERED TO BE FERDINANDO VENTRIGLIA, FRIEND AND COUNSELOR FORM MANY YEARS TO TREAS MIN COLOMBO AND PRESENT VICE PRESIDENT OF BANCO DI ROMA. GIVEN POLITICAL SENSITIVITY OF REPLACING CARLI, IT APPEARED THAT VENTRIGLIA'S CLOSENESS TO COLOMBO WOULD BE GREATLY IN HIS FAVOR. AS FAR AS TIMING OF RESIGNATION WAS CONCERNED AND IMPACT ON SENSITIVE EXCHANGE MARKET, AUTHRO POINTED OUT THAT ADVERSE REACTIONS WOULD BE LESS LIKELY BECAUSE OF RECENT IMPROVEMENT IN BALANCE OF PAYMENTS SITUATION, RELATIVELY STRONGER POSITION OF LIRA, AND BECAUSE VENTRIGLIA WOULD BE PERCEIVED AS LIKELY TO CONTINUE CARLI'S POLICIES.

3. WHEN CARLI RESIGNS, IT WAS FORESEEN THAT RINALDO OSSOLA, PRESENTLY VICE DIRECTOR GENERAL, WOULD BECOME DIRECTOR GENERAL; AND MARIO ERCOLANI, PRESENTLY DIRECTOR FOR EXCHANGE OPERATIONS, WOULD TAKE OVER OSSOLA'S POSITION. PRESENT DIRECTOR GENERAL PAOLO BAFFI IS ALREADY SCHEDULED TO LEAVE BANK TO TAKE OVER PRESIDENCY OF IMI.

4. COMMENT. IN VIEW OF NUMEROUS PAST RUMORS OF CARLI RESIGNATION, IT IS DIFFICULT TO KNOW HOW MUCH IMPORTANCE TO ATTACH TO THIS LATEST REPORT. WHILE IT IS HIGHLY PROBABLE THAT CARLI WANTS TO LEAVE BANK AFTER CARRYING MAJOR RESPONSIBILITY FOR ECONOMIC POLICY FOR 14 YEARS, IT DOES NOT SEEM LIKELY THAT IN IMMEDIATE LIMITED OFFICIAL USE

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FUTURE HE WOULD ABANDON GOVERNORSHIP, CERTAINLY NOT BEFORE ECONOMIC STABILIZATION PROGRAM IS EFFECTIVELY LAUNCHED. IF, HOWEVER, REPORTS OF HIS INTEREST IN TAKING OVER DIRECTION OF INTERNATIONAL FINANCIAL ORGANIZATION TO DIRECT PETRO-DOLLAR RE-CYCLING ARE TRUE, IT APPEARS LOGICAL AND ATTRACTIVE CAREER ALTERNATIVE FOR HIM. ALSO, IF VENTRIGLIA CAN ASSUME GOVERNORSHIP WITH MINIMUM OF FUSS AND BOTHER, CHANCES OF CARLI'S LEAVING APPEAR MORE LIKELY. VOLPE

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